

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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P 122025Z AUG 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 1202

C O N F I D E N T I A L SANTO DOMINGO 3313

EXDIS

E.O. 11652: GDS

TAGS: EMIN, EFIN, DR

SUBJECT: ALCOA BAUXITE NEGOTIATIONS

REF : SD 3297

1. WITH THE DISAPPOINTING GODR DECISION TO SEEK ENTRY INTO INTERNATIONAL BAUXITE ASSOCIATION, I HAVE DECIDED TO ASCERTAIN WHETHER WE COULD EFFECTIVELY PLAY AN ACTIVE, BEHIND-THE SCENES ROLE IN THE NEGOTIATIONS THEMSELVES BETWEEN ALCOA AND THE GODR. WE HAVE ESCHEWED THIS ROLE HERETOFORE AS LONG AS BOTH PARTIES WERE TALKING TO ONE ANOTHER AND SEEMED REASONABLY WELL-MATCHED. ALTHOUGH WE MAY HAVE HAD SOME INFLUENCE IN PERSUADING THE GODR TO SHELVE ITS PROPOSED LEGISLATION A LA JAMAICA, THE DOMINICAN STEP TO JOIN THE BAUXITE PRODUCERS MAKES IT EVEN MORE URGENT, IT SEEMS TO US, TO ENSURE THAT THE OUTCOME OF THE NEGOTIATIONS IS NOT IDENTICAL TO THAT REACHED IN JAMAICA, IN OTHER WORDS TO TRY TO THWART THE PRODUCERS' APPARENT GOAL OF SOLIDARITY AND UNIFORMITY OF PRICE AND PRODUCTION CONDITIONS. SINCE IT SEEMS REASONABLE TO ASSUME THAT THE GODR WILL BE THE OBJECT OF CONSIDERABLE PRESSURE FROM OTHER PRODUCERS TO MAINTAIN THE "JAMAICAN FORMULA" IN THE NEGOTIATIONS, SUCH A BEHIND-THE-SCENES ROLE, WHILE DELICATE, IS CLEARLY IN OUR INTEREST.

2. THE MAIN OBSTACLE TO AGREEMENT BETWEEN ALCOA AND THE GODR HAS BEEN THE DOMINICAN NEGOTIATING TEAM'S INSISTENCE UPON RECEIVING A PRICE FOR ITS BAUXITE IDENTICAL TO THAT WHICH JAMAICA IS RECEIVING AS A RESULT OF ITS LEGISLATION, WITH THE PROVISIO THAT

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SHOULD ALCOA BE SUCCESSFUL THROUGH ARBITRATION OR IN THE

JAMAICAN COURTS IN REDUCING THE PRICE, THE GODR WOULD CONFORM ACCORDINGLY. ALCOA HAS UNDERSTANDABLY RESISTED THIS POSITION SINCE, INTER ALIA, IT WOULD PREJUDICE ITS EFFORTS IN JAMAICA. APPARENT REFUSAL BY THE DOMINICAN NEGOTIATORS TO BUDGE FROM THIS POSITION RESULTED IN THE NEGOTIATIONS BREAKING OFF ON JULY 4 ACCOMPANIED BY CLAIMS AND COUNTER-CLAIMS AS TO WHO WAS RESPONSIBLE FOR THE RUPTURE. AS SOME DOMINICANS SEE IT, THEIR MOVE TO INTRODUCE LEGISLATION RESULTED IN A PUBLIC STATEMENT FROM ALCOA HEADQUARTERS THAT IT WAS PREPARED TO RESUME NEGOTIATIONS AND THEY CONSEQUENTLY DROPPED THE LEGISLATIVE ROUTE. THEY MAINTAIN, HOWEVER, THAT THEY HAVE NOT HEARD FROM THE ALCOA NEGOTIATORS DIRECTLY REGARDING RESUMPTION OF TALKS AND CONSEQUENTLY FELT OBLIGED TO TAKE THE NEXT LOGICAL PRESSURE STEP OF SEEKING ENTRY INTO THE PRODUCERS ASSOCIATION.

3. YESTERDAY (SUNDAY) MORNING I ATTENDED THE INAUGURATION OF A BANCO CENTRAL DEPENDENCY AND TOOK THE OCCASION TO DISCUSS THE ALCOA SITUATION FOR SOME FORTY-FIVE MINUTES WITH FINANCE SECRETARY CARLOS SELIMAN, WHO HAS BEEN A THORN IN THE SIDE OF MANY AMERICAN BUSINESSES HERE. SELIMAN ALSO HEADS THE GODR NEGOTIATING TEAM. THE UPSHOT OF THAT DISCUSSION WAS AN EXPRESSED WILLINGNESS ON HIS PART TO MOVE AWAY FROM THE JAMAICAN FORMULA IN THAT HE SAID THAT HE IS NOW PREPARED TO NEGOTIATE FOR A SUBSTANTIAL INCREASE IN THE PRICE OF BAUXITE BUT LESS THAN THAT WHICH JAMAICA RECEIVES, WITH THE PROVISIO THAT SHOULD THE GOJ AND THE ALUMINUM COMPANIES IN JAMAICA EVENTUALLY AND DEFINITELY SETTLE ON A PRICE HIGHER THAN THAT WHICH THE DOMREP WOULD RECEIVE AS A RESULT OF ITS NEGOTIATIONS WITH ALCOA, THE PRICE FOR THE DOMREP WOULD BE REVISED UPWARD AND RETROACTIVELY ACCORDINGLY. IT IS MY UNDERSTANDING THAT ALCOA

WOULD ACCEPT SUCH A GENERAL FORMULA, ALTHOUGH THE PRECISE NATURE OF A "SUBSTANTIAL INCREASE" IS A MATTER TO BE NEGOTIATED. SELIMAN ASKED THAT HIS POSITION BE CONVEYED TO THE ALCOA NEGOTIATORS.

4. ALCOA REP HUGHSON HAS BEEN IN THE US THIS PAST WEEK AND IS NOT EXPECTED TO RETURN UNTIL AUGUST 18. SINCE THE CURRENT WEEK IS PRETTY MUCH TAKEN UP WITH INAUGURAL FESTIVITIES AND IT IS UNCLEAR WHETHER SELIMAN WILL STAY ON, WE SHALL AWAIT HUGHSON'S RETURN TO DISCUSS THE CURRENT SITUATION. WE HAVE NO OBJECTION OF COURSE IF DEPT. WISHES TO PASS FOREGOING ON TO ALCOA, PITTSBURGH. CONFIDENTIAL

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5. THE ONLY TIME DURING OUR DISCUSSION THAT SELIMAN, A SOMEWHAT EXCITABLE MAN, LOST HIS EQUANIMITY OCCURRED WHEN HE DESCRIBED THE "TABLE POUNDING" TACTICS THAT THE NEGOTIATORS FROM PITTSBURGH ENGAGED IN -- HE FOUND THEM OFFENSIVE HE SAID. (HE LIKES HUGHSON, WHO HAS BEEN AROUND LATINOS A LONG TIME.)

6. COMMENT: SELIMAN IS NOT NOTED HERE FOR HIS PROBITY AND THE

FERVENT PRAYER AMONG MANY IN THE LOCAL AND FOREIGN BUSINESS
COMMUNITY IS THAT AUGUST 16 MARK HIS DEPARTURE FROM RESPONSIBLE
POSITIONS IN GOVERNMENT.
HURWITCH

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, MEMBERSHIP APPLICATIONS, MINING INDUSTRY, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTO03313
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740220-1103
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740855/aaaabuzr.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: SD 3297
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 25 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 SEP 2002 by boyleja>; APPROVED <21 FEB 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALCOA BAUXITE NEGOTIATIONS
TAGS: EMIN, EFIN, DR, ALCOA, INTERNATIONAL BAUXITE ASSOCIATION
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005